COMMANDERS DIGEST
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FY77 PROPOSED DEFENSE BUDGET

FY 77 PROPOSED DEFENSE BUDGET

The Department of Defense budget for fiscal year 1977 and the projections for the period through FY 1981 reflect the continuing resolve of the President to maintain a defense structure adequate to move the United States toward objectives of peace, mutual security, and international stability.

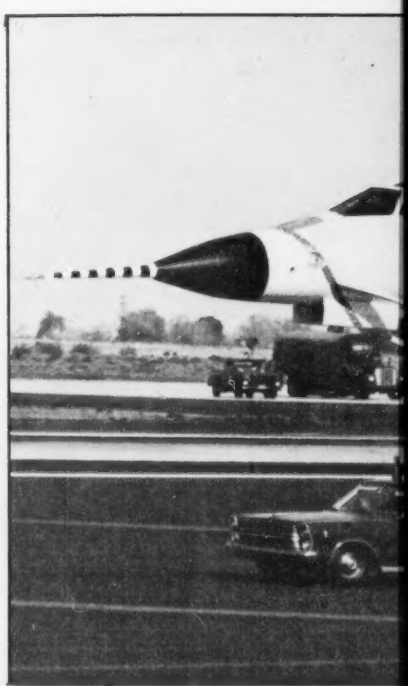
The fundamental goal of the Department of Defense is to ensure the freedom and security of the United States, and to protect vital national interests. This budget provides adequate, balanced military programs at the minimum level appropriate to the overall international circumstances. It is designed to demonstrate a steadiness of purpose and consistency of effort over time.

The adequacy of the Defense budget must be assessed against the background of trends in the military balance worldwide. These trends are a matter of concern. Soviet defense spending over the past decade has been increasing steadily in real terms. At the same time U.S. force levels and defense expenditures (in real terms) have been decreasing. Momentum on the part of the Soviet Union heightens the danger that the national security posture of the United States could experience a lessened deterrent value in the period ahead, unless positive steps are taken now.

Strength and an appreciation of that strength are essential prerequisites to the negotiation of acceptable agreements in the area of arms limitation. Thus, this budget provides for the real growth essential to ensure that the United States can fulfill its stated objectives of mutual security, international stability and peace. At the same time the budget reflects a serious effort to achieve restraint.

The FY 1977 budget reflects some real program growth over FY 1976, growth required to sustain currently planned force structure levels, to modernize weapon systems, and to improve the combat readiness of existing forces. The rate of growth exceeds the projection of last year because congressional action on the FY 1976 budget precluded attainment of the essential first-year step. However, this budget reflects restraint with respect to previous planning levels over the period FY 1976-FY 1980.

To attain the needed defense improvements, yet within current fiscal constraints, DoD is emphasizing efforts to achieve efficiencies within the Defense establishment. The Department, after the appropriate studies, will continue to seek



opportunities for base closures and realignments, for streamlining of headquarters activities, and for reducing training costs. The Department will share the general restraint in the President's budget by limiting pay increases, eliminating nearly 26,000 civilian positions, reducing petroleum consumption, holding new construction below FY 1976 levels, reducing training costs for selected National Guard and Reserve positions, and phasing out of the subsidies for labor and utility costs of military commissaries.

Highlights of the Defense budget will be summarized in the remainder of this issue.

Financial

The Defense budget estimates and five-year projections are based upon some important assumptions as to congressional action and to economic trends. For FY 1977, a number of the general restraints assumed will require specific action or legislation by the Congress. If these assumptions are not

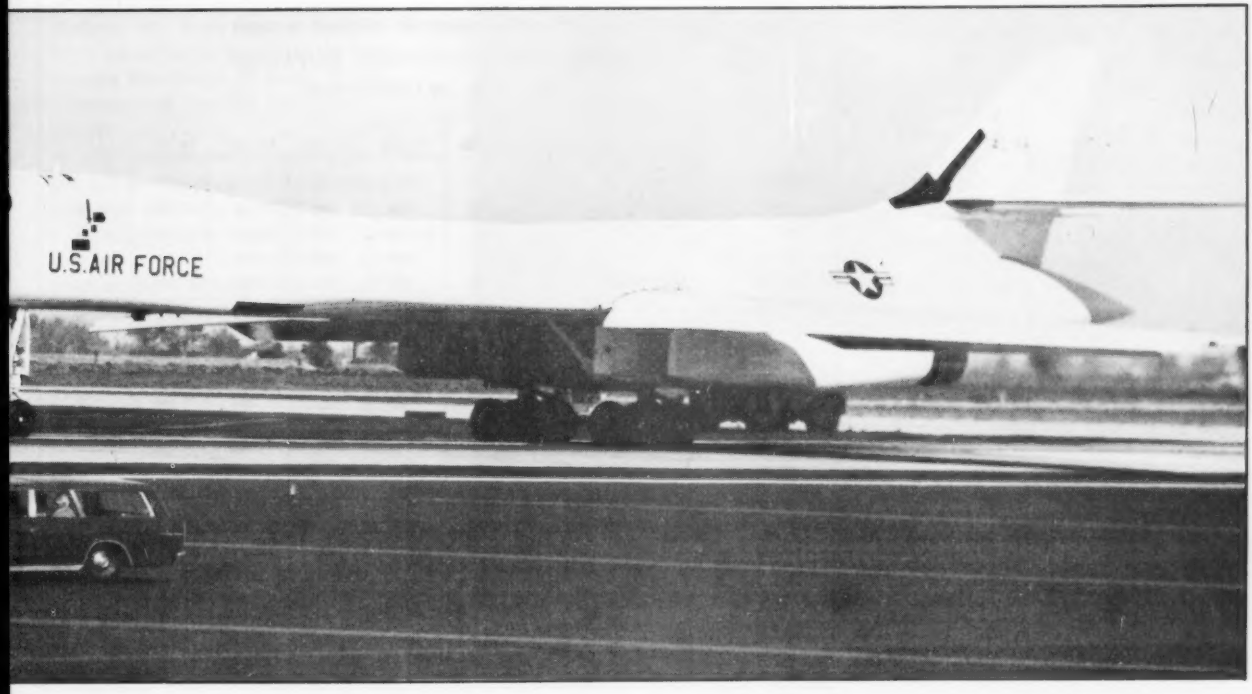
DEPARTMENT OF DEFENSE BUDGET

DEFENSE BUDGET TOTALS

($ IN BILLIONS)

CURRENT DOLLARS	FY 1974 ACTUAL	FY 1975 ACTUAL	FY 1976 ESTIMATE	FY 1977 ESTIMATE	INCREASE FY 1976-77
Total Obligational Authority (TOA)	85.1	87.9	98.3	112.7	14.4
Budget Authority (BA)	88.9	91.5	100.7	113.8	13.1
Outlays	78.4	86.0	91.2	100.1	8.9
CONSTANT FY 1977 DOLLARS					
Total Obligational Authority (TOA)	107.3	100.7	105.3	112.7	7.4
Budget Authority (BA)	112.6	104.8	108.0	113.8	5.8
Outlays	101.7	99.1	96.2	100.1	1.9

Increased investment is programmed to initiate procurement of the B-1 strategic bomber (this photograph) and the F-16 fighter aircraft.



borne out, additional funds of $2.8 billion or more would be required. For FY 1978-FY 1981, the estimates are dependent not only upon the foregoing but also upon assumptions with respect to future pay raises and price increases and other variables.

Total Obligational Authority

The FY 1976 program of $98.3 billion is based upon congressional action completed to date as well as:

- House-Senate Conference action on the DoD Appropriation Bill,
- The budget request for Military Assistance, and
- The supplemental budget request for pay and related items.

This amount is $6.9 billion below the total requested for this fiscal year—in addition to which the Department has had to absorb approximately $900 million because the pay cap assumptions did not hold for wage board employees and retired military personnel.

The FY 1977 budget request for total obligational authority is $112.7 billion, an increase of $14.4 billion over the estimated FY 1976 level. After consideration of the portion of this increase required to cover estimated pay raises and inflation, the budget would provide a real increase of about $7.2 billion in the baseline program. This funding will provide the resources to make up deficiencies in force modernization and readiness. Again, this represents an important step upward within a constrained budget level.

For the period of FY 1978-FY 1981, preliminary projections are $120.6 billion, $130.0 billion, $139.8 billion, and $149.7 billion, respectively. As was the case last year, these projections are based upon achieving the important first-year step in the budget—after which the baseline program reflects a growth of 4 per cent per year for defense purchases.

Estimated Outlays

FY 1976 outlays are currently estimated at $91.2 billion. This

DEPARTMENT OF DEFENSE

SUMMARY OF SELECTED ACTIVE MILITARY FORCES

	ACTUAL JUNE 30, 1964	ACTUAL JUNE 30, 1975	ESTIMATED JUNE 30, 1976	ESTIMATED SEPT 30, 1976	ESTIMATED SEPT 30, 1977	ESTIMATED SEPT 30, 1978
STRATEGIC FORCES:						
Intercontinental Ballistic Missiles:						
MINUTEMAN	600	1,000	1,000	1,000	1,000	1,000
TITAN II	108	54	54	54	54	54
POLARIS-POSEIDON Missiles	336	656	656	656	656	656
Strategic Bomber Squadrons	78	27	26	25	25	25
Manned Fighter Interceptor Squadrons	40	7	6	6	6	6
Army Air Defense Firing Batteries	107	0	0	0	0	0
GENERAL PURPOSE FORCES:						
Land Forces:						
Army Divisions	16-1/3	14	16	16	16	16
Marine Corps Divs.	3	3	3	3	3	3
Tactical Air Forces:						
Air Force Wings	21	26	26	26	26	26
Navy Attack Wings	15	14	13	13	13	13
Marine Corps Wings	3	3	3	3	3	3
Naval Forces:						
Attack & Antisubmarine Carriers	24	15	13	13	13	13
Nuclear Attack Submarines	19	64	65	67	70	75
Other Warships	370	186	180	182	188	189
Amphibious Assault Ships	133	64	62	62	64	65
AIRLIFT AND SEALIFT FORCES:						
Strategic Airlift Squadrons:						
C-5A	0	4	4	4	4	4
C-141	0	13	13	13	13	13
Troopships, Cargo Ships and Tankers	100	51	48	48	47	47

FY 1977 DEPARTMENT OF DEFENSE BUDGET

DEFENSE EMPLOYMENT OUTLOOK

(END YEAR - IN THOUSANDS)

	FY 1964	FY 1968	FY 1975	FY 1976	FY 1977T	FY 1977	CHANGE FY 1977-77
MILITARY							
Army	972	1,570	784	782	790	790	0
Navy	667	765	535	525	532	544	+12
Marine Corps	190	307	196	196	196	196	0
Air Force	856	905	613	584	584	571	-13
TOTAL MILITARY	2,685	3,547	2,127	2,087	2,102	2,101	-1
CIVILIAN							
Army	453	542	401	394	390	378	-12
Navy	348	433	328	324	324	321	-3
Air Force	338	357	278	265	265	257	-7
Defense Agencies/OSD	38	76	73	75	83	80	-3
TOTAL CIVILIAN	1,176	1,408	1,078	1,058	1,062	1,036	-26
Direct Hire	(1,036)	(1,287)	(969)	(962)	(967)	(942)	(-25)
TOTAL - MILITARY AND CIVILIAN	3,860	4,953	3,205	3,145	3,164	3,137	-27
Defense Related Industry	2,280	3,173	1,635	1,610	1,630	1,750	+120
TOTAL DEFENSE MANPOWER	6,140	8,126	4,840	4,755	4,794	4,887	+93

represents 5.7 per cent of the Gross National Product and 24.4 per cent of the total Federal Budget. These represent reductions from the President's proposal which would have provided a Defense budget at a level of 5.8 percent of the GNP and 26.6 per cent of the Federal Budget.

FY 1977 outlays are estimated at $100.1 billion. At this level, Defense represents 25.4 per cent of the total Federal Budget and 5.4 per cent of the GNP. In the pre-Vietnam War year of FY 1964, the Defense Budget represented 8.3 per cent of the GNP and 42.8 per cent of the Federal Budget.

For the period of FY 1978-FY 1981, the President's Budget contains outlay projections of $111.4 billion, $120.0 billion, $130.8 billion, and $141.3 billion, respectively.

Major Budget Changes

In the Procurement Title, $1.6 billion is included to cover increased costs for ships approved by Congress in FY 1975 and prior years. Increased investment is programmed to initiate procurement of the B-1 strategic bomber, the F-16 fighter aircraft, the UTTAS utility helicopter, the new Carrier On-Board Delivery (COD) aircraft, and the CH-53E Super Stallion helicopter. The TRIDENT missile procurement funding provides for the initial production quantity of this new strategic missile.

Continued emphasis is being placed on the Army tank production and procurement of anti-tank missile systems. Production of the non-nuclear LANCE and the new shoulder-fired STINGER weapon system is programmed initially in FY 1977.

Emphasis is being given to the Navy's shipbuilding program through the programming of 16 new construction ships including 3 nuclear attack submarines, one TRIDENT submarine, the lead ship AEGIS class destroyer, 8 guided missile frigates, one destroyer tender, one fleet oiler, and one submarine tender.

Increases have been programmed to

The Navy's shipbuilding program includes plans for 16 new ships.

provide the forces with more, and more modern, communications and other support equipment, with the objective of improving the readiness posture of U.S. forces. Additional investment is also programmed for inventories of munitions, spares and repair parts, including an increase for stock-funded war reserves of $311 million.

After provision for pay increases and purchase inflations, there is a constant dollar growth of about $750 million for Research, Development, Test and Evaluation. The major systems accounting for the increase are the Navy's F-18 air combat fighter and LAMPS ASW helicopter, the Navy and Air Force cruise missiles, the Army's advanced attack helicopter, SAM-D and XM-1 tank systems. Real increases are also programmed in the areas of research and exploratory development.

Increased funds for military personnel are primarily attributable to pay raises projected for FY 1977. Economies in travel and reduced recruiting costs, as well as changes in compensation policy if favorably acted upon by Congress, will further hold down these costs. On a constant dollar basis, military personnel appropriations are estimated to be $0.8 billion below FY 1976.

Requirements for retired pay continue to rise based on increases in the retired population, the full-year effect of FY 1976 increases and two more increases expected by the end of FY 1977 based on the Consumer Price Index. These assume that Congress will approve the proposal to eliminate the extra one per cent "kicker" now added to each increase.

Increases in operation and maintenance are primarily to improve readiness and reduce the backlogs resulting from prior years constraints. There are 29 more ship overhauls planned than in FY 1976 as well as increases for repair of tanks, aircraft and other equipment. Funds are budgeted to arrest the deterioration of facilities and to start reducing the accumulated backlog of facilities repair projects. These needs and the rising costs of fuel and other supplies are offset somewhat by planned reductions in headquarters staffing. Additional future efficiencies and savings should accrue from base realignment actions. Since the individual programs are based on current or announced prices, under existing OMB (Office of Management and Budget) rules, the readiness improvements indicated above will be affected to the extent that prices increase. In terms of FY 1977 constant dollars, the operation and maintenance area is up by about $1.3 billion.

Construction programs throughout the government have been curtailed because of overall fiscal constraints. Within a FY 1977 military construction program that is down $.3 billion in purchasing power from FY 1976, $437 million is earmarked for an Aeropropulsion Systems Test Facility to support future defense, other government, and industrial engine developments. Within the remainder of the program, which is about 30 per cent lower than in FY 1976, emphasis is on TRIDENT

PERSONNEL COSTS AS PERCENT OF THE DOD BUDGET

(OUTLAYS IN $ BILLIONS)

	FY 64	FY 68	FY 74	FY 75	FY 76	FY 77
PERSONNEL COSTS:						
Military Pay Base	$10.6	$15.3	$21.0	$21.6	$22.0	$22.6
Other Military Personnel Costs	2.4	4.6	2.7	3.4	3.6	3.7
Civilian Pay	7.3	10.3	13.4	14.6	15.5	16.0
Family Housing	0.5	0.4	0.7	0.9	1.1	1.1
Military Retired Pay	1.2	2.1	5.1	6.2	7.3	8.4
TOTAL PAY AND ALLOWANCES	$22.0	$32.6	$43.0	$46.7	$49.4	$51.8
DOD BUDGET TOTAL (OUTLAYS)	$50.8	$78.0	$78.4	$86.0	$91.2	$100.1
PERCENT PERSONNEL COSTS	43.3%	41.8%	54.8%	54.3%	54.1%	51.7%

facilities and aircraft shelters. The government-wide construction cutbacks have left the number of new family housing units 60 per cent below FY 1976. In addition, housing funds have been reduced to fit within a program down $.2 billion in constant FY 1977 dollars.

Civil Defense programs have been curtailed and military assistance is down $341 million.

Forces and Personnel

Strategic missile forces do not change in total. By the end of FY 1977, the force will consist of 450 MINUTEMAN II missiles, 550 MINUTEMAN III missiles, 10 Polaris submarines, and 31 Poseidon submarines. Also, 54 TITAN II missiles are retained.

Organizationally, the number of B-52 bomber squadrons is being reduced from 22 to 21, although the number of operating aircraft will remain the same. FB-111 squadrons remain constant at four.

The manned fighter interceptor force will be maintained at six F-106 squadrons.

DEPARTMENT OF DEFENSE BUDGET

FINANCIAL SUMMARY BY APPROPRIATION CATEGORY

(BILLIONS OF $)

APPROPRIATION TITLE	CURRENT DOLLARS TOTAL OBLIGATIONAL AUTHORITY FY 1974	FY 1975	FY 1976	FY 1977
Military Personnel	$24.1	$24.9	$25.6	$26.5
Retired Pay	5.1	6.2	7.3	8.4
Operation and Maintenance	23.9	26.2	28.9	32.4
Procurement	17.5	17.4	21.4	29.3
RDT&E	8.2	8.6	9.5	11.0
Military Construction	1.8	1.8	2.4	2.3
Family Housing	1.1	1.2	1.3	1.2
Civil Defense	0.1	0.1	0.1	0.1
Revolving and Management Funds	–	–	0.1	0.4
Military Assistance	3.3	1.6	1.5	1.2
TOTAL	$85.1	$87.9	$98.3	$112.7

DEPARTMENT OF DEFENSE BUDGET

FINANCIAL SUMMARY BY MAJOR PROGRAM

(BILLIONS OF $)

MILITARY PROGRAM	CURRENT DOLLARS TOTAL OBLIGATIONAL AUTHORITY FY 1974	FY 1975	FY 1976	FY 1977
Strategic Forces	$ 6.8	$ 7.2	$ 7.3	$ 9.4
General Purpose Forces	27.5	28.1	33.4	40.2
Intelligence & Communications	6.0	6.3	6.7	7.7
Airlift & Sealift	0.8	0.9	1.3	1.6
Guard & Reserve Forces	4.3	4.8	5.5	5.9
Research & Development	6.8	7.7	8.7	10.5
Central Supply & Maintenance	8.5	9.1	9.7	10.9
Training, Medical, other Gen. Pers. Activ.	18.2	20.1	21.8	23.0
Administration & Assoc. Activities	1.8	2.0	2.2	2.1
Support of Other Nations	4.3	1.8	1.8	1.4
TOTAL	$85.1	$87.9	$98.3	$112.7

Continued emphasis is being placed on the procurement of anti-tank missile systems, such as seen in this photograph.

The Army will continue to support 16 active divisions and will further strengthen that force in FY 1977 by adding two divisional combat brigades within a constant military personnel level.

Three Marine Corps active divisions are continued in FY 1977.

The Air Force continues with plans to bring the 26 organizational wings currently in its active force structure up to full strength within manpower and budget constraints. During the period FY 1976 to FY 1977, two F-4, two A-7, and one F-105 squadrons will be replaced by four F-15 and one A-10 squadrons. For the most part, aircraft released from the active forces will be transitioned to the Air National Guard for continued modernization of that force.

The Navy will operate 13 attack carriers and wings throughout FY 1977. The Marines will maintain three air wings.

The nuclear attack submarine force will increase from 65 to 70 through the introduction of five new nuclear submarines from new construction.

The increase of eight warships results from the introduction of two guided missile cruisers, eight destroyers, and one guided missile frigate, offset by the retirement of three older destroyers.

The increase of two amphibious assault ships results from the introduction of two additional ships of the LHA class.

There is no change in the C-5A and C-141 force structure throughout the budget period.

There is a decrease in the sealift forces due to the retirement of one government-owned cargo ship.

Total Defense employment at the end of FY 1977 will be 3,137,000. This plan is 723,000 below the FY 1964 pre-Vietnam War strength and 1,816,000 below the peak war FY 1968 level.

Military personnel strengths in total will remain stable in FY 1977. Within the total, however, there is an increase of about 12,000 for the Navy which reflects the additional active fleet ships in FY 1977 and improved fleet readiness through increased ship and aircraft squadron manning. This increase is offset by a decrease of approximately 13,000 in the Air Force resulting from a reduction in the number of Air Force personnel engaged in training management headquarters and other support activities.

The reduction of 26,000 in civilian employment is the net result of anticipated base realignments, reductions in management headquarters, and other support activities primarily offset by a 2,000 increase in naval shipyard manning which reflects the increase in ship maintenance required to improve fleet readiness.

Defense-related industry employment will increase in FY 1977 as as result of the emphasis on material funding in the FY 1976 and FY 1977 budgets. Defense manpower (direct and industry-related) will comprise 4.8 percent of the total labor force in FY 1977. The FY 1964 percentage was 7.9 percent rising to 9.7 percent at the peak of the Southeast Asia War.

Balanced Program

The FY 1977 budget represents a balanced program to meet the national security needs of the United States. Ultimately, the level of Defense spending must be judged against the Nation's vital interests and the military capabilities required by the United States in a world which is uncertain and in which trends in the global military power balance are disturbing. While measures like percent of GNP or of Federal spending are useful, the adequacy of Department of Defense budget cannot be appraised solely in such terms. This FY 1977 budget provides for the lowest level of spending which will support the policy set forth by the President . . . that the United States should possess a military capability second to none.

COMMANDERS DIGEST

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